

CIGNA CORP
Form 425
September 04, 2018

Filed by Cigna Corporation
Pursuant to Rule 425 under the Securities Act of 1933
and deemed filed pursuant to Rule 14a-12
under the Securities Exchange Act of 1934

Subject Company: Cigna Corporation and Express Scripts Holding Company
(Commission File No. 001-08323)
Date: September 4, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 8-K
CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): September 4, 2018

CIGNA CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	1-08323	06-1059331
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)
900 Cottage Grove Road Bloomfield, Connecticut		06002
(Address of principal executive offices)		(Zip Code)
Registrant's telephone number, including area code:		(860) 226-6000

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 7.01 Regulation FD Disclosure.

Cigna Corporation ("Cigna" or the "Company") officials expect to participate in meetings with investors over the next several days. In connection with an offering of debt securities of Halfmoon Parent, Inc., a Delaware corporation and a direct wholly owned subsidiary of Cigna ("New Cigna"), Cigna officials expect to provide certain pro forma financial information with respect to the pending acquisition of Express Scripts Holding Company ("Express Scripts"). Cigna is disclosing this pro forma financial information under Item 7.01, which information is included in Exhibit 99.1 and is incorporated herein solely for purposes of this Item 7.01.

As previously announced, on March 8, 2018, Cigna entered into an Agreement and Plan of Merger (as amended by Amendment No. 1, dated as of June 27, 2018, and as it may be further amended from time to time, the "Merger Agreement") with Express Scripts, New Cigna, Halfmoon I, Inc., a Delaware corporation and a direct wholly owned subsidiary of New Cigna ("Merger Sub 1"), and Halfmoon II, Inc., a Delaware corporation and a direct wholly owned subsidiary of New Cigna ("Merger Sub 2"). Subject to the conditions of the Merger Agreement, Cigna will acquire Express Scripts in a cash and stock transaction through: (1) the merger of Merger Sub 1 with and into Cigna, with Cigna surviving such merger as a direct wholly owned subsidiary of New Cigna, and (2) the merger of Merger Sub 2 with and into Express Scripts, with Express Scripts surviving such merger as a direct wholly owned subsidiary of New Cigna (collectively, the "Merger"). Also as previously announced, Cigna and New Cigna intend to finance their obligations in connection with the acquisition, in part, with the proceeds of one or more offerings of debt securities. Cigna currently anticipates that such debt securities will be issued prior to the consummation of the Merger, that all or a portion of the proceeds thereof will be retained by New Cigna pending consummation of the Merger and that Cigna will not be an obligor with respect to such securities until the consummation of the Merger or the occurrence of certain other events. Upon the consummation of the Merger, Cigna expects that it and Express Scripts would guarantee any such debt securities issued by New Cigna and that New Cigna would guarantee the then-outstanding senior notes of Cigna and Express Scripts and those of two of Express Scripts' subsidiaries, Express Scripts, Inc. ("ESI") and Medco Health Solutions, Inc. ("Medco"). Also, in connection with the Merger and the transactions related thereto, Cigna expects that Express Scripts will repay or cause to be repaid its outstanding credit facilities, and that the guarantees by ESI and Medco of the then-outstanding senior notes of Express Scripts would be released.

The information furnished pursuant to Item 7.01 of this Current Report on Form 8-K (including Exhibit 99.1 hereto) is being furnished and shall not be deemed "filed" under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor shall it be incorporated by reference into future filings by the Company under the Securities Act of 1933, as amended (the "Securities Act"), or under the Exchange Act, except as expressly set forth by specific reference in such a filing. The furnishing of information pursuant to this Item 7.01 will not be deemed an admission as to the materiality of any information in this Current Report on Form 8-K that is required to be disclosed solely by Regulation FD.

FORWARD LOOKING STATEMENTS

Information included or incorporated by reference in this communication, and information which may be contained in other filings with the Securities and Exchange Commission (the "SEC") and press releases or other public statements, contains or may contain forward-looking statements. These forward-looking statements include, among other things, statements of plans, objectives, expectations (financial or otherwise) or intentions, including statements concerning the potential future performance of Cigna, Express Scripts, or the combined company, the potential for new laws or regulations, or any impact of any such new laws or regulations, including on the business of Cigna, Express Scripts or the combined company, the ability to achieve the anticipated benefits of the proposed merger, on the expected timeline or at all, the timeline for deleveraging the combined company, and the ability to consummate the proposed merger, on the anticipated timeline or at all, and other statements regarding the parties' future beliefs, expectations, plans, intentions, financial condition or performance. You may identify forward-looking statements by the use of words such as "believe," "expect," "plan," "intend," "anticipate," "estimate," "predict," "potential," "may," "should," "will" or other words or expressions of similar meaning, although not all forward-looking statements contain such

terms.

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Forward-looking statements, including as they relate to Express Scripts or Cigna, the management of either such company, the transaction or any expected benefits of the transaction, involve risks and uncertainties. Actual results may differ significantly from those projected or suggested in any forward-looking statements. Express Scripts and Cigna do not undertake any obligation to release publicly any revisions to such forward-looking statements to reflect events or circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Any number of factors could cause actual results to differ materially from those contemplated by any forward-looking statements, including, but not limited to, the risks associated with the following:

- the inability of Express Scripts and Cigna to obtain regulatory approvals required for the merger or the requirement to accept conditions that could reduce the anticipated benefits of the merger as a condition to obtaining regulatory approvals;
- the possibility that the anticipated benefits from the merger (including anticipated synergies) cannot be realized in full, or at all or may take longer to realize than expected;
- a longer time than anticipated to consummate the proposed merger;
- problems regarding the successful integration of the businesses of Express Scripts and Cigna;
- unexpected costs regarding the proposed merger;
- diversion of management's attention from ongoing business operations and opportunities;
- potential litigation associated with the proposed merger;
- the ability to retain key personnel;
- the availability of financing;
- effects on the businesses as a result of uncertainty surrounding the proposed merger;
- the ability of the combined company to achieve financial, strategic and operational plans and initiatives;
- the ability of the combined company to predict and manage medical costs and price effectively and develop and maintain good relationships with physicians, hospitals and other health care providers;
- the impact of modifications to the combined company's operations and processes;
- the ability of the combined company to identify potential strategic acquisitions or transactions and realize the expected benefits of such transactions;
- the substantial level of government regulation over the combined company's business and the potential effects of new laws or regulations or changes in existing laws or regulations;
- the outcome of litigation relating to the businesses of Express Scripts and Cigna, regulatory audits, investigations, actions and/or guaranty fund assessments;
- uncertainties surrounding participation in government-sponsored programs such as Medicare;
- the effectiveness and security of the combined company's information technology and other business systems;
- unfavorable industry, economic or political conditions, including foreign currency movements;
- acts of war, terrorism, natural disasters or pandemics; and
- the industry may be subject to future risks that are described in SEC reports filed by Express Scripts and Cigna.

You should carefully consider these and other relevant factors, including those risk factors in this communication and other risks and uncertainties that affect the businesses of Express Scripts and Cigna described in their respective filings with the SEC, when reviewing any forward-looking statement. These factors are noted for investors as permitted under the Private Securities Litigation Reform Act of 1995. Investors should understand it is impossible to predict or identify all such factors or risks. As such, you should not consider the foregoing list, or the risks identified in SEC filings, to be a complete discussion of all potential risks or uncertainties, and should not place undue reliance on forward-looking statements.

IMPORTANT INFORMATION ABOUT THE TRANSACTION AND WHERE TO FIND IT

This communication does not constitute an offer to sell or solicitation of an offer to buy any securities. In connection with the proposed transaction, the newly formed company which will become the holding company following the transaction ("New Cigna") filed with the SEC a registration statement on Form S-4. The registration statement on Form S-4 includes a joint proxy statement of Cigna and Express Scripts that also constitutes a prospectus of New Cigna. These materials are not final and may be further amended. The registration statement was declared effective by the SEC on July 16, 2018, and Cigna and Express Scripts commenced mailing the definitive joint proxy statement/prospectus to the respective stockholders of Cigna and Express Scripts on or about July 17, 2018. Cigna and Express Scripts also plan to file other relevant documents with the SEC regarding the proposed transaction. This document is not a substitute for the registration statement or the joint proxy statement/prospectus or any other document which Cigna, Express Scripts or New Cigna may file with the SEC. INVESTORS AND SECURITY HOLDERS ARE URGED TO READ THE REGISTRATION STATEMENT, JOINT PROXY STATEMENT/PROSPECTUS AND ANY OTHER RELEVANT DOCUMENTS THAT ARE FILED OR MAY BE FILED WITH THE SEC, AS WELL AS ANY AMENDMENTS OR SUPPLEMENTS TO THESE DOCUMENTS, CAREFULLY AND IN THEIR ENTIRETY BECAUSE THEY CONTAIN OR WILL CONTAIN IMPORTANT INFORMATION. You may obtain a free copy of the registration statement on Form S-4 and the definitive joint proxy statement/prospectus and other relevant documents filed by New Cigna, Cigna and Express Scripts with the SEC at the SEC's website at www.sec.gov. Copies of documents filed with the SEC by Cigna will be available free of charge on Cigna's website at www.Cigna.com or by contacting Cigna's Investor Relations Department at (215) 761-4198. Copies of documents filed with the SEC by Express Scripts will be available free of charge on Express Scripts' website at www.express-scripts.com or by contacting Express Scripts' Investor Relations Department at (314) 810-3115.

NO OFFER OR SOLICITATION

This communication is for informational purposes only and not intended to and does not constitute an offer to subscribe for, buy or sell, the solicitation of an offer to subscribe for, buy or sell or an invitation to subscribe for, buy or sell any securities or the solicitation of any vote or approval in any jurisdiction pursuant to or in connection with the proposed transaction or otherwise, nor shall there be any sale, issuance or transfer of securities in any jurisdiction in contravention of applicable law. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended, and otherwise in accordance with applicable law.

Item 9.01. Financial Statements and Exhibits.

Exhibit No. Description

99.1 Unaudited Pro Forma Financial Information*

* This Exhibit is being furnished and shall not be deemed "filed" under the Exchange Act, nor shall it be incorporated by reference into future filings by the Company under the Securities Act or under the Exchange Act, except as expressly set forth by specific reference in such a filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

CIGNA CORPORATION
(Registrant)

By: /s/Eric P. Palmer

Name: Eric P. Palmer

Title: Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Dated: September 4, 2018

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Exhibit 99.1

As used below, except where otherwise specified or unless the context otherwise requires, (i) "New Cigna", the "Company", "we" or "us" refers to Halfmoon Parent, Inc., a Delaware corporation; (ii) "Cigna" refers to Cigna Corporation, a Delaware corporation; (iii) "Express Scripts" refers to Express Scripts Holding Company, a Delaware corporation; (iv) "Merger Sub I" refers to Halfmoon I, Inc., a Delaware corporation and a direct, wholly owned subsidiary of New Cigna; and (v) "Merger Sub II" refers to Halfmoon II, Inc., a Delaware corporation and a direct, wholly owned subsidiary of New Cigna. As used herein, the term "Merger Agreement" refers to the Agreement and Plan of Merger, dated as of March 8, 2018 (as amended by Amendment No. 1, dated as of June 27, 2018, and as it may be further amended from time to time, the "Merger Agreement") among New Cigna, Cigna, Express Scripts, Merger Sub I and Merger Sub II, pursuant to which Merger Sub I will be merged with and into Cigna with Cigna surviving as a wholly owned subsidiary of New Cigna and Merger Sub II will be merged with and into Express Scripts with Express Scripts surviving as a wholly owned subsidiary of New Cigna (collectively, the "Merger").

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The unaudited pro forma condensed combined statements of income for the year ended December 31, 2017 and for the six months ended June 30, 2018 combine the consolidated statements of income of Cigna and Express Scripts, giving effect to the Merger as if it had occurred on January 1, 2017, the first day of the fiscal year ended December 31, 2017. The unaudited pro forma condensed combined balance sheet as of June 30, 2018, combines the consolidated balance sheets of Cigna and Express Scripts, giving effect to the Merger as if it had occurred on June 30, 2018. The consolidated financial information has been adjusted in the unaudited pro forma condensed combined financial statements to give effect to pro forma events that are (i) directly attributable to the Merger, (ii) factually supportable, and (iii) with respect to the statements of income, expected to have a continuing impact on the combined company's results. The unaudited pro forma condensed combined financial statements should be read in conjunction with the accompanying notes to the unaudited pro forma condensed combined financial statements. In addition, the unaudited pro forma condensed combined financial information was derived from, and should be read in conjunction with, the following historical consolidated financial statements and accompanying notes:

- separate audited historical consolidated financial statements of Cigna as of, and for the year ended, December 31, 2017, and the related notes included in Cigna's Annual Report on Form 10-K for the year ended December 31, 2017;
- separate audited historical consolidated financial statements of Express Scripts as of, and for the year ended, December 31, 2017, and the related notes included in Express Scripts' Annual Report on Form 10-K for the year ended December 31, 2017;
- separate unaudited historical consolidated financial statements of Cigna as of, and for the six months ended, June 30, 2018, and the related notes included in Cigna's Quarterly Report on Form 10-Q for the six months ended June 30, 2018; and,
- separate unaudited historical consolidated financial statements of Express Scripts as of, and for the six months ended, June 30, 2018, and the related notes included in Express Scripts' Quarterly Report on Form 10-Q for the six months ended June 30, 2018.

The unaudited pro forma condensed combined financial information has been prepared by Cigna using the acquisition method of accounting in accordance with U.S. generally accepted accounting principles, which we refer to as GAAP. Cigna has been treated as the acquirer in the Merger for accounting purposes. The acquisition accounting is dependent upon certain valuation and other studies that have yet to commence or progress to a stage where there is sufficient information for a definitive measurement. The Merger have not yet received the approvals from governmental authorities required for closing. Under the HSR Act and other relevant laws and regulations, before completion of the Merger, there are significant limitations regarding the information that can be shared between both

companies. The assets and liabilities of Express Scripts have been measured based on various preliminary estimates using assumptions that Cigna believes are reasonable based on information that is currently available to it. Differences between these preliminary estimates and the final acquisition accounting will occur, and those differences could have a material impact on the accompanying unaudited pro forma condensed combined financial statements and the combined company's future results of operations and financial position. The pro forma adjustments are preliminary and have been made solely for the purpose of providing unaudited pro forma condensed combined financial statements prepared in accordance with the rules and regulations of the SEC.

Cigna intends to commence the necessary valuation and other studies required to complete the acquisition accounting promptly upon completion of the Merger and will finalize the acquisition accounting as soon as practicable within the required measurement period, but in no event later than one year following completion of the Merger.

The unaudited pro forma condensed combined financial information has been presented for informational purposes only. The unaudited pro forma condensed combined financial information does not purport to represent the actual results of operations that Cigna and Express Scripts would have achieved had the companies been combined during the periods presented in the unaudited pro forma condensed combined financial statements and is not intended to project the future results of operations that the combined company may achieve after the Merger. The unaudited pro forma condensed combined financial information does not reflect any potential required divestitures, projected cost savings, or restructuring or integration-related costs to achieve potential cost savings. Assumptions underlying the pro forma adjustments are described in the accompanying notes, which should be read in conjunction with the unaudited pro forma condensed combined financial information.

Unaudited Pro Forma Condensed Combined Statement of Income for the Six Months Ended June 30, 2018

(In millions, except per share amounts)	Cigna	Note 4 Express Scripts	Note 7 Pro Forma Acquisition Adjustments	Ref	Pro Forma Financing Adjustments	Ref	Pro Forma Combined
For the six months ended June 30, 2018							
Revenues							
Premiums	\$18,011	\$1,035	\$ -		\$ -		\$19,046
Pharmacy revenues	1,475	47,319	111	A	-		48,905
Fees and other revenues	2,726	2,057	-		-		4,783
Net investment income	681	20	-		-		701
Net realized investment (losses)	(36)	-	-		-		(36)
TOTAL REVENUES	22,857	50,431	111		-		73,399
Benefits and expenses							
Global Health Care medical costs	10,738	1,121	-		-		11,859
Other benefit expenses	2,879	-	-		-		2,879
Pharmacy costs	1,174	44,022	-		-		45,196
Other operating expenses	5,699	2,607	(336)	B	480	E	8,450
Amortization of other acquired intangible assets	51	696	1,211	C	-		1,958
TOTAL BENEFITS AND EXPENSES	20,541	48,446	875		480		70,342
Income before income taxes	2,316	1,985	(764)		(480)		3,057
TOTAL INCOME TAXES	595	484	(171)	D	(101)	F	807
SHAREHOLDERS' NET INCOME	\$1,721	\$1,501	\$(593)		\$(379)		\$2,250
Shareholders' net income per share							
Basic	\$7.10						\$5.93
Diluted	\$7.01						\$5.85
Weighted average shares outstanding (Note 9)							
Basic	242.3						379.4
Diluted	245.6						384.9

See the accompanying notes to the unaudited pro forma condensed combined financial statements which are an integral part of these statements. The pro forma adjustments shown above are explained in Note 7, beginning on page 13. Express Scripts amounts reflect reclassifications described in Note 4, beginning on page 8. Cigna amounts reflect a reclassification of income (loss) from noncontrolling interests to other operating expenses.

Unaudited Pro Forma Condensed Combined Statement of Income for the Year Ended December 31, 2017

	Note 4		Note 7				
(In millions, except per share amounts)	Cigna	Express Scripts	Pro Forma Acquisition Adjustments	Ref	Pro Forma Financing Adjustments	Ref	Pro Forma Combined
For the year ended December 31, 2017							
Revenues							
Premiums	\$32,307	\$1,796	\$ -		\$ -		\$34,103
Pharmacy revenues	2,979	96,272	222	A	-		99,473
Fees and other revenues	4,867	1,997	-		-		6,864
Net investment income	1,226	42	-		-		1,268
Net realized investment gains	237	-	-		-		237
TOTAL REVENUES	41,616	100,107	222		-		141,945
Benefits and expenses							
Global Health Care medical costs	19,967	1,774	-		-		21,741
Other benefit expenses	5,439	-	-		-		5,439
Pharmacy costs	2,456	89,402	-		-		91,858
Other operating expenses	10,028	2,777	(220)	B	960	E	13,545
Amortization of other acquired intangible assets	115	1,240	2,573	C	-		3,928
TOTAL BENEFITS AND EXPENSES	38,005	95,193	2,353		960		136,511
Income before income taxes	3,611	4,914	(2,131)		(960)		5,434
TOTAL INCOME TAXES	1,374	397	(746)	D	(336)	F	689
SHAREHOLDERS' NET INCOME	\$2,237	\$4,517	\$(1,385)		\$(624)		\$4,745
Shareholders' net income per share							
Basic	\$8.92						\$12.23
Diluted	\$8.77						\$12.05
Weighted average shares outstanding (Note 9)							
Basic	250.9						388.0
Diluted	255.1						393.9

See the accompanying notes to the unaudited pro forma condensed combined financial statements which are an integral part of these statements. The pro forma adjustments shown above are explained in Note 7, beginning on page 13. Express Scripts amounts reflect reclassifications described in Note 4, beginning on page 8. Cigna amounts reflect a reclassification of income (loss) from noncontrolling interests to other operating expenses.

Unaudited Pro Forma Condensed Combined Balance Sheet as of June 30, 2018

	Note 4		Note 8				
	Cigna	Express Scripts	Pro Forma Acquisition Adjustments	Ref	Pro Forma Financing Adjustments	Ref	Pro Forma Combined
(In millions, except per share amounts)							
As of June 30, 2018							
Assets							
Investments							
Fixed maturities, at fair value	\$23,593	\$	-\$	-	\$	-	\$23,593
Equity securities	560		-	-		-	560
Commercial mortgage loans	1,866		-	-		-	1,866
Policy loans	1,422		-	-		-	1,422
Other long-term investments	1,678		-	-		-	1,678
Short-term investments	220		-	-		-	220
Total investments	\$29,339	\$	-\$	-	\$	-	\$29,339
Cash and cash equivalents	3,634	2,942	(27,470)	G	21,254	T	360
Premiums, accounts and notes receivable, net	3,412	7,338				-	10,750
Reinsurance recoverables	5,877		-	-		-	5,877
Deferred policy acquisition costs	2,163		-	-		-	2,163
Property and equipment	1,554	1,338	(833)	H		-	2,059
Goodwill	6,147	31,110	6,825	I		-	44,082
Other intangibles	433	8,829	34,666	J		-	43,928
Other assets	2,116	3,121	(7)	K		-	5,230
Separate account assets	8,287		-	-		-	8,287
TOTAL ASSETS	\$62,962	\$54,678	\$13,181		\$21,254		\$152,075
Liabilities							
Total insurance and contractholder liabilities	\$27,323	\$295	\$	-	\$	-	\$27,618
Accounts payable, accrued expenses and other liabilities	7,445	17,596	359	L		-	25,400
Deferred tax liabilities, net	(140)	2,426	5,939	M		-	8,225
Short-term debt	109	1,533		-		-	1,642
Long-term debt	5,195	13,458	15	N	21,254	U	39,922
Separate account liabilities	8,287		-	-		-	8,287
TOTAL LIABILITIES	\$48,219	\$35,308	\$6,313		\$21,254		\$111,094
Shareholders' equity							
Common stock	\$74	\$9	\$(79)	O	\$	-	\$4
Additional paid-in capital	2,974	23,704	2,368	P		-	29,046
Accumulated other comprehensive loss	(1,843)	(8)	8	Q		-	(1,843)
Retained earnings	17,722	17,819	(21,767)	R		-	13,774
Less: treasury stock, at cost	(4,184)	(22,154)	26,338	S		-	-
	\$14,743	\$19,370	\$6,868		\$	-	\$40,981

TOTAL SHAREHOLDERS'
EQUITY

Total liabilities and equity	\$62,962	\$54,678	\$13,181	\$21,254	\$152,075
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See the accompanying notes to the unaudited pro forma condensed combined financial statements which are an integral part of these statements. The pro forma adjustments shown above are explained in Note 8, beginning on page 14. Cigna and Express Scripts amounts reflect reclassifications described in Note 4, beginning on page 8.

NOTES TO THE UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

1. Description of Transaction

On March 8, 2018, Cigna and Express Scripts agreed to the combination of Cigna and Express Scripts under the terms of the Merger Agreement described in this document. Subject to the terms and conditions of the Merger Agreement, Cigna will acquire Express Scripts in a cash and stock transaction through: (1) the merger of Merger Sub I with and into Cigna, with Cigna surviving the merger as a direct wholly owned subsidiary of New Cigna (the "Cigna Merger"), and (2) the merger of Merger Sub II with and into Express Scripts, with Express Scripts surviving the merger as a direct wholly owned subsidiary of New Cigna (the "Express Scripts Merger").

Subject to the terms and conditions of the Merger Agreement, at the effective time of the Merger (the "Effective Time"), each share of Express Scripts common stock issued and outstanding immediately prior to the Effective Time (other than the Express Scripts excluded shares) will be converted automatically into (1) 0.2434 of a share of New Cigna common stock and (2) the right to receive \$48.75 in cash, without interest, subject to applicable withholding taxes. No fractional shares of New Cigna common stock will be issued in the Merger, and Express Scripts stockholders will receive cash in lieu of any fractional shares of New Cigna common stock.

Subject to the terms and conditions of the Merger Agreement, at the Effective Time, each share of Cigna common stock issued and outstanding immediately prior to the Effective Time (other than the excluded Cigna shares) will be converted automatically into one fully paid and nonassessable share of New Cigna common stock.

The Merger Agreement generally provides that, upon completion of the Express Scripts Merger, each Express Scripts stock option, Express Scripts RSU award (other than any such award held by a non-employee director) and Express Scripts deferred unit that is outstanding immediately prior to the Effective Time will be converted into an equivalent New Cigna award. Each pre-2018 Express Scripts performance share unit award that is outstanding immediately prior to the Effective Time generally will vest at the level of performance determined by the compensation committee of the Express Scripts Board of Directors and each 2018 Express Scripts performance share unit award will vest at the maximum level of performance and, in each case, will be cancelled in exchange for the right to receive the merger consideration with respect to each underlying share of Express Scripts common stock. Each Express Scripts RSU award held by a non-employee director will be cancelled in exchange for a cash payment in an amount equal to the merger consideration with respect to each underlying share of Express Scripts common stock.

The Merger Agreement generally provides that, upon completion of the Cigna Merger, each Cigna stock option, Cigna restricted stock award, Cigna RSU award, Cigna strategic performance share award and Cigna deferred unit that is outstanding immediately prior to the Effective Time will be converted into an equivalent New Cigna award.

Completion of the Merger is subject to regulatory approvals and clearances. As of the date of the filing of this document, the Merger is expected to be completed during the second half of 2018.

2. Basis of Presentation

The unaudited pro forma condensed combined financial statements were prepared using the acquisition method of accounting and are based on the historical consolidated financial statements of Cigna and Express Scripts for the year ended December 31, 2017 and as of and for the six months ended June 30, 2018. Historical results will reflect non-recurring items and, for the six months ended June 30, 2018, business seasonality. The acquisition method of accounting is based on ASC 805, Business Combinations, and uses the fair value concepts defined in ASC 820, Fair Value Measurement.

ASC 805 requires, among other things, that most assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date. In addition, ASC 805 requires that the consideration transferred be measured at the Effective Time at the then-current market price. This requirement will likely result in a per share equity component that is different from the amount assumed in these unaudited pro forma condensed combined financial statements, since the market price of the shares of Cigna common stock at the Effective Time is likely to be different than the \$189.80 market price that was used in the preparation of the unaudited pro forma condensed combined financial statements. The market price of \$189.80 was based upon the closing price of shares of Cigna common stock on the

NYSE on August 30, 2018, the latest practicable date prior to the date of the filing of this document.

ASC 820 defines the term "fair value," sets forth the valuation requirements for any asset or liability measured at fair value, expands related disclosure requirements and specifies a hierarchy of valuation techniques based on the nature of the inputs used to develop the fair value measures. Fair value is defined in ASC 820 as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." This is an exit price concept for the valuation of the asset or liability. In addition, market participants are assumed to be buyers and sellers in the principal (or the most advantageous) market for the asset or liability. Fair value measurements for an asset assume the highest and best use by these market participants. As a result of these standards, New Cigna may be required to record the fair value of assets which are not intended to be used or sold and/or to value assets at fair value measures that do not reflect New Cigna's intended use of those assets. Many of these fair value measurements can be highly subjective, and it is possible that other professionals, applying reasonable judgment to the same facts and circumstances, could develop and support a range of alternative estimated amounts.

Under the acquisition method of accounting, the assets acquired and liabilities assumed will be recorded, as of completion of the Merger, primarily at their respective fair values and added to those of Cigna. Financial statements and reported results of operations of New Cigna issued after completion of the Merger will reflect these values, but will not be retroactively restated to reflect the historical financial position or results of operations of Express Scripts. Under ASC 805, acquisition-related transaction costs (e.g., advisory, legal and other professional fees) are not included as a component of consideration transferred but are accounted for as expenses in the periods in which such costs are incurred. Acquisition-related transaction costs expected to be incurred by Cigna include estimated fees related to a bridge financing commitment and agreement. Total acquisition-related transaction costs expected to be incurred by Cigna and Express Scripts are estimated to be approximately \$430 million and \$130 million, respectively. During the six months ended June 30, 2018, Cigna incurred \$165 million before-tax and Express Scripts incurred \$36 million before-tax of acquisition-related transaction costs, which have been excluded from the pro forma combined income statement for the six months ended June 30, 2018. During the year ended December 31, 2017, Cigna and Express Scripts did not incur any material acquisition-related transaction costs.

The unaudited pro forma condensed combined balance sheet as of June 30, 2018 is required to include adjustments which give effect to events that are directly attributable to the Merger regardless of whether they are expected to have a continuing impact on the combined results or are non-recurring. Therefore, acquisition-related transaction costs expected to be incurred by Cigna and Express Scripts subsequent to June 30, 2018 of \$265 million and \$94 million, respectively, are reflected as a pro forma adjustment to the unaudited pro forma condensed combined balance sheet as of June 30, 2018, and are presented as an increase to accrued expenses and other current liabilities and an after-tax impact decrease to retained earnings.

The unaudited pro forma condensed combined financial statements do not reflect any potential required divestitures or the projected realization of cost savings following completion of the Merger. These cost savings opportunities are from administrative cost savings as well as reduced health care costs due to medical management. Although Cigna projects that cost savings will result from the merger, there can be no assurance that these cost savings will be achieved. The unaudited pro forma condensed combined financial statements do not reflect any projected pre-tax restructuring and integration-related costs associated with the projected annual cost savings. The restructuring and integration-related costs will be expensed in the appropriate accounting periods after completion of the Merger.

The unaudited pro forma condensed combined financial statements do not reflect any changes in applicable law (including applicable tax law) after June 30, 2018.

3. Accounting Policies

As part of preparing the unaudited pro forma condensed combined financial statements, Cigna conducted an initial review of the accounting policies of Express Scripts to determine if differences in accounting policies require restatement or reclassification of results of operations or reclassification of assets or liabilities to conform to Cigna's accounting policies and classification. During the preparation of these unaudited pro forma condensed combined financial statements, Cigna did not become aware of any material differences between the accounting policies of Cigna and Express Scripts.

Upon consummation of the Merger, New Cigna will conduct a more comprehensive review of Express Scripts' accounting policies, and may identify other differences among the accounting policies of Cigna and Express Scripts that, when conformed, could have a material impact on the unaudited pro forma condensed combined financial statements.

4. Reclassification Adjustments

Income Statement Reclassifications: The following tables summarize certain reclassifications made to the Express Scripts historical income statements to conform to the pro forma income statement presentation:

(In millions)	Reclassification Adjustments for the six months ended June 30, 2018	
	Express Scripts Historical Presentation	Express Scripts Historical in Pro Forma Presentation

Express Scripts Revenues (as reported)	\$ 50,411	
Premiums		\$ 1,035
Pharmacy revenues		47,319
Fees and other revenues		2,057
Total	\$ 50,411	\$ 50,411

Express Scripts Cost of Revenues (as reported)	\$ 46,327	
Pharmacy Costs		\$ 44,022
Global Health Care medical costs		1,121
Total	\$ 46,327	\$ 45,143 (1)

Express Scripts Other Operating Expense Selling, general and administrative (as reported)	\$ 1,810
Interest expense and other (as reported)	305

Net income
attributable to
non-controlling
interest (as
reported)

Other
operating
expense

\$ 2,607

Amortization
of other
acquired
intangible
assets

696

Total \$2,119 \$ 3,303 (1)

Reclassification
Adjustments
for the year ended
December 31, 2017

Express

(In millions) Express Scripts
Scripts Historical in
Historical Pro
Presentation Form
Presentation

Express Scripts

Revenues (as
reported) \$ 100,065

Premiums \$ 1,796

Pharmacy
revenues 96,272

Fees and
other 1,997

revenues

Total \$ 100,065 \$ 100,065

Express Scripts

Cost of
Revenues (as
reported) \$ 91,303

Pharmacy
Costs \$ 89,402

Global Health
Care medical 1,774

costs

Total \$ 91,303 \$ 91,176 (1)

Express Scripts
Other Operating
Expense

\$3,268

Selling, general and administrative (as reported)				
Interest expense and other (as reported)	608			
Net income attributable to non-controlling interest (as reported)	14			
Other operating expense		\$ 2,777		
Amortization of other acquired intangible assets		1,240		
Total	\$3,890	\$ 4,017	(1)	

The decrease of \$1,184 million for the six months ended June 30, 2018 and \$127 million for the year ended (1)December 31, 2017 in cost of revenues represent the reclassification of medical benefit management services expenses and Medicare Part D administrative expenses from cost of revenues to operating expenses.

Balance Sheet Reclassifications: The following table summarizes certain reclassifications made to the Cigna historical balance sheet to conform to the pro forma balance sheet presentation:

Reclassification Adjustments As of June 30, 2018		Cigna Pro Forma Presentation	
(In millions)	Cigna Historical Presentation		
Cigna Deferred Policy Acquisition Costs (as reported)	2,300		
Cigna Other Assets, Including Other Intangibles (as reported)	2,412		
Other intangibles		\$	433
Deferred policy acquisition costs			2,163
Other assets			2,116
Total \$	4,712	\$	4,712
Cigna Deferred Taxes			
Deferred tax assets, \$ net (as reported)	140		
Deferred tax liabilities, net		\$	(140)
Total \$	140	\$	(140)
Cigna Redeemable Noncontrolling Interests			
Redeemable noncontrolling interests	39		

(as reported)			
Accounts payable, accrued expenses and other liabilities	7,406		
(as reported)			
Accounts payable, accrued expenses and other liabilities		\$	7,445
Total \$	7,445	\$	7,445

The following table summarizes certain reclassifications made to the Express Scripts historical balance sheet to conform to the pro forma balance sheet presentation:

(In millions)	Reclassification Adjustments As of June 30, 2018		Express Scripts Historical in Pro Forma Presentation
	Express Scripts Historical Presentation		
Express Scripts Other Assets, Prepaid Expenses and Other Current Assets and Inventories			
Inventories (as reported)	\$2,293		
Prepaid expenses and other current assets (as reported)	597		
Other assets (as reported)	231		
Other assets			\$3,121
Total	\$3,121		\$3,121
Express Scripts Property and Equipment			
	\$505		

Property and
equipment, net
(as reported)

Computer
software, net (as 833
reported)

Property and equipment		\$1,338
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Total	\$1,338	\$1,338
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Express Scripts
Accounts
Payable,
Accrued
Expenses and
Other Liabilities

Accounts payable (as 4,793 reported)	
--	--

Accrued expenses (as 2,369 reported)	
--	--

Other liabilities (as reported) 832	
--	--

Non-controlling interest (as 5 reported)	
--	--

Claims and rebates payable 9,892 (as reported)	
--	--

Accounts payable, accrued		\$17,596
expenses and other liabilities		

Total insurance and contractholder liabilities		295
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Total	\$17,891	\$17,891
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5. Preliminary Merger Consideration

The preliminary estimate of the merger consideration shown in the following table has been calculated using the number of Express Scripts common stock and stock-based awards as of July 31, 2018 and the closing price of Cigna common stock as of August 30, 2018, the latest practicable date prior to the date of the filing of this document.

	(Millions, except per common stock data)
Total consideration	
Cash consideration (as detailed below)	\$ 27,470
Common stock consideration (as detailed below)	26,022
Other stock award consideration - preliminary estimate of fair value of other stock-based awards - portion assigned to service period prior to the Merger ⁽¹⁾	523
Preliminary estimated merger consideration	\$54,015
Cash consideration	
Express Scripts common stock outstanding	562.2
Multiplied by Merger Agreement cash consideration per share paid to Express Scripts stockholders	\$48.75
Preliminary estimate of cash consideration paid to Express Scripts stockholders	\$27,407
Preliminary estimate of cash consideration paid to company performance share holders and other equity holders ⁽²⁾	63
Preliminary fair value estimate of total cash consideration	\$27,470
Stock consideration	
Express Scripts common stock outstanding	562.2
Multiplied by Merger Agreement per share exchange ratio	0.2434
Preliminary stock issued to Express Scripts stockholders	136.8
Preliminary stock issued to Express Scripts company performance share holders ⁽²⁾	0.3
Total preliminary estimate of stock issued to Express Scripts stockholders	137.1
Multiplied by per share price of Cigna common stock on August 30, 2018	\$189.80
Preliminary fair value estimate of total stock consideration	\$26,022

- The Merger Agreement provides that Express Scripts stock options and restricted stock units (other than those held by non-employee directors) that are outstanding immediately prior to the completion of the Merger will be converted into equivalent New Cigna awards. The estimated fair value of the replacement options attributable to service periods prior to the Merger is included in the merger consideration in the above table. The fair value attributable to post-merger services will be recorded as compensation expense in New Cigna's post-merger financial statements. The above table excludes approximately 2.5 million of Express Scripts employee-held RSU's. Express Scripts performance share units that are outstanding immediately prior to completion of the Merger generally will vest at the level of performance determined by the compensation committee of the Express Scripts Board of Directors prior to the closing (provided that awards granted in 2018 will vest at the maximum level of performance) and will be cancelled upon completion of the Merger.

The estimated total consideration expected to be transferred reflected in these unaudited pro forma condensed combined financial statements does not purport to represent the actual consideration that will be transferred at the Effective Time. In accordance with ASC 805 the fair value of equity securities issued as part of the consideration transferred will be measured at the Effective Time at the then-current market price. This requirement will likely result in a different value of the common share component of the purchase consideration and a per Express Scripts share equity component different from the \$46.20 (the per share price of Cigna common stock as of August 30, 2018 multiplied by the exchange ratio under the Merger Agreement of 0.2434) assumed in these unaudited pro forma condensed combined financial statements, and that difference may be material. For example, if the per share price of Cigna common stock at the Effective Time increased or decreased by 10% from the price assumed in these unaudited pro forma condensed combined financial statements, the consideration transferred would increase or decrease by approximately \$2.6 billion, which would be reflected in these unaudited pro forma condensed combined financial statements as an increase or decrease to goodwill.

6. Estimate of Assets to be Acquired and Liabilities to be Assumed

The following is a preliminary allocation of the total consideration expected to be transferred based on the assets to be acquired and the liabilities to be assumed by New Cigna in the Merger:

(In millions)	As of June 30, 2018
Cash and cash equivalents ⁽¹⁾	\$2,942
Receivables ⁽¹⁾	7,338
Property and equipment ⁽¹⁾	505
Goodwill ⁽²⁾	37,935
Other identifiable intangible assets ⁽³⁾	43,495
Other assets acquired ⁽¹⁾	3,114
Long-term debt, including current portion ⁽¹⁾	(15,006)
Deferred income tax liabilities ⁽⁴⁾	(8,417)
Other liabilities assumed ⁽¹⁾	(17,891)
Total	\$54,015

(1) As of the completion of the Merger, acquired assets and liabilities are required to be measured at fair value. Cigna has estimated fair value adjustments for long-term debt based on market data. As of the date of the filing of this document, Cigna does not have sufficient information to make a reasonable preliminary estimate of the remaining other assets and liabilities. Accordingly, for purposes of these unaudited pro forma condensed combined financial statements, Cigna has assumed that the historical Express Scripts book value approximates the best estimate of fair value for all other assets and liabilities not separately discussed in these unaudited pro forma condensed combined financial statements.

(2) Goodwill is calculated as the difference between the acquisition date fair value of the merger consideration expected to be transferred and the aggregate value assigned to the assets acquired and liabilities assumed. Goodwill is not amortized.

(3) As of completion of the Merger, identifiable intangible assets are required to be measured at fair value, and these acquired assets could include assets that are not intended to be used or sold or that are intended to be used in a manner other than their highest and best use. For purposes of these unaudited pro forma condensed combined financial statements and consistent with the ASC 820 requirements for fair value measurements, it is assumed that all assets will be used, and that all acquired assets will be used in a manner that represents the highest and best use of those acquired assets, but it is not assumed that any market participant synergies will be achieved.

The fair value of identifiable intangible assets is determined primarily using variations of the "income approach," which is based on the present value of the future after-tax cash flows attributable to each identifiable intangible asset. Other valuation methods, including the market approach and cost approach, were also considered in estimating the fair value. Under the HSR Act and other relevant laws and regulations, there are significant limitations on Cigna's ability to obtain specific information about Express Scripts' intangible assets prior to completion of the Merger.

As of the date of the filing of this document, Cigna does not have sufficient information as to the amount, timing and risk of the cash flows from all of Express Scripts' identifiable intangible assets to determine their fair value. Some of the more significant assumptions inherent in the development of intangible asset values, from the perspective of a market participant, include, but are not limited to: the amount and timing of projected future cash flows (including revenue and profitability); the discount rate selected to measure the risks inherent in the future cash flows; the assessment of the asset's life cycle; and the competitive trends impacting the asset. However, for purposes of these

unaudited pro forma condensed combined financial statements and using publicly available information, such as historical revenues, Express Scripts cost structure, industry information for comparable intangible assets and certain other high-level assumptions, the fair value of Express Scripts' identifiable intangible assets and their weighted average useful lives have been preliminarily estimated as follows:

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(Dollars in millions)	Estimated Fair Value	Estimated Useful Life (Years)	Amortization method
Customer relationships ^(a)	\$35,600	17	Straight Line
Trade Name	7,300	20	Straight Line
Technology	595	5	Straight Line
Total identifiable intangible assets with finite lives	\$43,495		

a) Estimated fair value includes intangibles associated with certain terminated client relationships that are amortized over the remaining contractual period of two years.

These preliminary estimates of fair value and weighted average useful life will likely be different from the amounts included in the final acquisition accounting, and the difference could have a material impact on the accompanying unaudited pro forma condensed combined financial statements. Once Cigna has full access to information about Express Scripts' intangible assets, additional insight will be gained that could impact (i) the estimated total value assigned to identifiable intangible assets, (ii) the estimated allocation of value between finite-lived and indefinite-lived intangible assets (iii) the estimated weighted average useful life of each category of intangible assets and (iv) the amortization method. The estimated intangible asset values and their useful lives could be impacted by a variety of factors that may become known to Cigna only upon access to additional information and/or by changes in such factors that may occur prior to completion of the Merger. These factors include, but are not limited to, changes in the regulatory, legislative, legal, technological and/or competitive environments. Increased knowledge about these and/or other elements could result in a change to the estimated fair value of the identifiable Express Scripts intangible assets and/or to the estimated weighted average useful lives from what Cigna has assumed in these unaudited pro forma condensed combined financial statements. The combined effect of any such changes could then also result in a significant increase or decrease to Cigna's estimate of associated amortization expense.

(4) As of completion of the Merger, Cigna will establish net deferred tax liabilities and make other tax adjustments as part of the accounting for the Merger using a tax rate of 21%. The pro forma adjustment to record the effect of deferred taxes was computed as follows:

(In millions)	Deferred Tax Adjustments
Fair value adjustments of assets to be acquired and liabilities to be assumed	
Estimated fair value of identified intangible assets acquired	\$42,900
Estimated fair value of internally developed software acquired	595
Estimated fair value of debt to be assumed	80
Total estimated fair value adjustment	43,575
Fair value of stock-based compensation included in merger consideration	
Total estimated fair value adjustment	(523)
Total fair value adjustment of assets and liabilities and stock based compensation	43,052
Applicable tax rate	21%
Net deferred tax liabilities	\$9,041

7. Unaudited Pro Forma Condensed Combined Statement of Income Adjustments

			Increase (decrease) for the period ended June 30, 2018	Increase (decrease) for the year ended Dec. 31, 2017
Acquisition adjustments	(In millions)			
Revenues				
	Pharmacy revenues			
	To eliminate Express Scripts' amortization expense recorded as offset to revenues	A	\$ 111	\$222
Expenses				
	Other operating expenses			
	To eliminate Express Scripts' capitalized software amortization expense		\$ (123)	\$(205)
	To eliminate amortization of debt issuance costs and net debt discounts and premiums of assumed Express Scripts debt		(12)	(15)
	To eliminate actual transaction costs incurred by Cigna and Express Scripts in 2018		(201)	-
	Total adjustments to other operating expenses	B	\$ (336)	\$(220)
	Amortization of other acquired intangible assets			
	To eliminate Express Scripts' other intangible asset amortization expense		\$ (696)	\$(1,240)
	To record estimated transaction-related other acquired intangible assets amortization		1,907	3,813
	Total adjustments to other amortization of other acquired intangible assets	C	\$ 1,211	\$2,573
	Total income taxes			
	To reflect the income tax impact of acquisition adjustments at 21% in 2018 and 35% in 2017	D	\$ (171)	\$(746)
Financing adjustments	(In millions)			
Expenses				
	Other operating expenses			
	To record estimated interest expense on newly issued debt*		\$ 473	\$946
	To record amortization of debt issuance costs on newly issued debt		7	14
	Total adjustments to other operating expenses	E	\$ 480	\$960
	Total income taxes			
	To reflect the income tax impact of financing adjustments at 21% in 2018 and 35% in 2017	F	\$ (101)	\$(336)

* Represents the additional interest expense associated with the issuance of \$23.5 billion of long-term fixed rate or floating rate debt and commercial paper that Cigna expects to issue to partially fund the Merger. The amount of interest expense is calculated based on an assumed weighted average interest rate of 4.0% and a range of long-term maturities from 18 months to 30 years assuming the debt was issued at our estimate of interest rates and spreads

during late August 2018. If interest rates were to increase or decrease by 0.125% from the rates assumed in estimating this pro forma adjustment to interest expense, pro forma interest expense would increase or decrease by approximately \$15 million for the six months ended June 30, 2018 and \$29 million for the year ended December 31, 2017.

Items not adjusted in the unaudited pro forma condensed combined statement of income

The increase to other operating expenses associated with the amortization of the fair value increase to Express Scripts' stock-based awards when converted to Cigna stock-based awards and the decrease to other operating expenses associated with the amortization of the fair value decrease to Express Scripts' debt assumed by Cigna have not been reflected in the unaudited pro forma financial information because they are not expected to have a material effect on the unaudited pro forma financial information.

There were no material intercompany balances between Express Scripts and Cigna for the six months ended June 30, 2018 or the year ended December 31, 2017 to be eliminated in the above pro forma income statements.

8. Unaudited Pro Forma Condensed Combined Balance Sheet Adjustments

	Ref	Increase (decrease) at June 30, 2018
Acquisition adjustments (In millions)		
Assets		
Cash and cash equivalents		
To record the cash portion of the merger consideration	G	\$(27,470)
Property and equipment		
To eliminate Express Scripts historical capitalized software	H	\$(833)
Goodwill		
To eliminate Express Scripts historical goodwill		\$(31,110)
To record estimated transaction goodwill		37,935
Total adjustments to goodwill	I	\$6,825
Other intangibles		
To eliminate Express Scripts historical intangible assets		(8,829)
To record estimated fair value of intangible assets acquired		43,495
Total adjustments to other intangibles	J	\$34,666
Other assets		
To eliminate historical unamortized debt issuance costs of revolving line of credit	K	\$(7)
Liabilities		
Accounts payable, accrued expenses and other liabilities		
To accrue estimated transaction costs for Cigna		\$265
To accrue estimated transaction costs for Express Scripts		94
Total adjustments to accounts payable, accrued expenses and other liabilities	L	\$359
Deferred tax liabilities, net		
Total adjustments to deferred tax liabilities, net	M	\$5,939
Long-term debt		
To eliminate historical unamortized debt issuance costs of outstanding debt		\$95
To estimate the fair value of assumed Express Scripts debt		(80)
Total adjustments to long-term debt	N	\$15
Shareholders' equity		
Common Stock		
	O	\$(79)

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Total adjustments to common stock from elimination of Express Scripts historical common stock, elimination of Cigna historical treasury stock and issuance of new Cigna common stock		
Additional paid-in capital		
Total adjustments to additional paid-in capital from elimination of Express Scripts historical paid-in capital, elimination of Cigna historical treasury stock, issuance of new Cigna common stock and issuance of replacement common stock-based awards	P	\$2,368
Accumulated other comprehensive loss		
To eliminate Express Scripts accumulated other comprehensive loss	Q	\$8
Retained Earnings		
To eliminate Express Scripts historical retained earnings		\$(17,819)
To record elimination of Cigna historical treasury stock canceled upon closing of Merger		(3,641)
To record estimated transaction costs incurred, net of tax		(307)
Total adjustments to retained earnings	R	\$(21,767)
Treasury Stock		
Total adjustments to treasury stock from elimination of Express Scripts historical balance and elimination of Cigna historical treasury stock canceled upon closing of Merger	S	\$26,338

		Ref	Increase (decrease) at June 30, 2018
Financing adjustments	(In millions)		
Assets			
Cash and cash equivalents			
To establish incremental Cigna debt to effect the Merger			\$23,500
To pay off outstanding Express Scripts' term loan			(2,146)
To record estimated debt issuance costs incurred			(100)
Total adjustments to cash and cash equivalents		T	\$21,254
Liabilities			
Long-term debt			
To establish incremental Cigna debt to effect the Merger			\$23,500
To pay off outstanding Express Scripts' term loan			(2,146)
To record estimated debt issuance costs			(100)
Total adjustments to long-term debt		U	\$21,254

Items not adjusted in the unaudited pro forma condensed combined balance sheet

There were no material intercompany balances between Express Scripts and Cigna for the six months ended June 30, 2018 to be eliminated in the above pro forma balance sheet.

The unaudited pro forma condensed combined financial statements do not present a combined dividend per share amount. Cigna currently pays an annual dividend on shares of Cigna common stock and last declared a dividend of \$0.04 per share on February 28, 2018 that was paid on April 10, 2018 to shareholders of record as of March 12, 2018. Under the terms of the Merger Agreement, during the period before completion of the Merger, Cigna is not permitted to declare, set aside or pay any dividend or other distribution other than its regular annual cash dividends in respect of shares of Cigna common stock in the ordinary course of business consistent with past practice, with declaration, record and payment dates substantially consistent with those of the dividends paid by Cigna during its most recent fiscal year. Express Scripts does not currently pay a cash dividend to stockholders. Under the terms of the Merger Agreement, during the period before completion of the Merger, Express Scripts is not permitted to declare, set aside or pay any dividend or other distribution other than dividends or other distributions by its subsidiaries. The dividend policy of New Cigna following completion of the Merger will be determined by the New Cigna Board of Directors.

9. Combined Weighted-Average Basic and Diluted Shares

The unaudited pro forma combined basic and diluted earnings per share calculations are based on the combined weighted-average basic and diluted shares of Cigna and Express Scripts. The historical weighted-average basic and diluted shares of Cigna were assumed to be replaced by the shares and converted stock-based awards expected to be issued by New Cigna to effect the Merger.

The following table summarizes the computation of the unaudited pro forma combined weighted-average basic and diluted shares outstanding:

(In millions)	Six Months Ended June 30, 2018	Year Ended December 31, 2017
Cigna's weighted-average shares to compute basic EPS	242.3	250.9
Express Scripts' outstanding shares at July 31, 2018, converted at exchange ratio (562.2 * 0.2434)	136.8	136.8
Combined weighted average basic shares outstanding	379.1	387.7

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Express Scripts' company performance shares	0.3	0.3
Pro forma weighted-average basic shares outstanding	379.4	388.0
Dilutive effect of Cigna's outstanding stock-based awards	3.3	4.2
Dilutive effect of Express Scripts' outstanding stock-based awards, converted at the exchange ratio	2.2	1.7
Pro forma weighted average diluted shares	384.9	393.9